

**Ariadair Economics Group
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February 12, 2014

Ms. Brittany Stewart
Louisiana Public Service Commission
Office of the General Counsel
602 North Fifth St. (Galvez Building)(70802)
P.O. Box 9154
Baton Rouge, La 70821-9154

RE: Bid Proposal in Response to RFP #14-01

Dear Ms. Stewart:

Ariadair Economics Group (AEG) is pleased to submit our response to your RFP # 14-01 for professional services in the above-referenced proceeding.

We look forward to the opportunity to provide the Louisiana Public Service Commission high quality comprehensive analysis and evaluation of the Examination of Docket No. U-32977 – Dixie Electric Membership Corporation (“DEMCO”), ex parte. In re: Request for Establishment of Regulatory Asset and Recovery of Hurricane Isaac Storm Restoration and Repair Expense. AND Docket U-33063 –DEMCO, ex parte. In re: 2013 Formula Rate Plan Annual Report and Application for Extension of Formula Rate Plan with Modifications.

The overall not-to-exceed project cost is \$67,080 (of which \$62,330 is labor cost and \$4,750 is out of pocket expenses). We expect individual issues to be fine-tuned as the project progresses and our approach likewise to be fine-tuned after consultation with PSC Staff and Attorneys and we accept all RFP requirements.

Ariadair Economics Group will use no subcontractors in this engagement. We accept all RFP requirements.

Thank You,

Thomas H. Fish, Ph.D.
President

Bid Response by
Ariadair Economics Group to
La PSC RFP 14-01

**BID PROPOSAL TO LOUISIANA PUBLIC SERVICE COMMISSION IN RESPONSE TO RFP
14-01 DOCKET NO. U-32977 – DIXIE ELECTRIC MEMBERSHIP CORPORATION
("DEMCO"), EX PARTE. IN RE: REQUEST FOR ESTABLISHMENT OF REGULATORY
ASSET AND RECOVERY OF HURRIANE ISAAC STORM RESTORATION AND REPAIR
EXPENSES. AND DOCKET NO. U-33063 – DEMCO, EX PARTE. IN RE: 2013 FORMULA
RATE PLAN ANNUAL REPORT AND APPLICATION FOR EXTENSION OF FORMULA
RATE PLAN WITH MODIFICATIONS.**

SUBMITTED TO LOUISIANA PUBLIC SERVICE COMMISSION

FEBRUARY 12, 2014

**ARIADAIR ECONOMICS GROUP
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Bid Response by
Ariadair Economics Group to
La PSC RFP 14-01

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Bid Response by
Ariadair Economics Group to
La PSC RFP 14-01

MANAGEMENT SUMMARY

The project manager is Dr. Thomas Fish. AEG Staff will report directly to Dr. Fish. Dr. Fish is also the authorized negotiator. He can be reached at:

414 S. Thompson Ave.

Excelsior Springs, MO 64024

(816) 900-1016

email: tfish@ariadaireconomics.com

AEG PERSONNEL

Dr. Fish, Stephen King, CPA, Michael Wulser, Esq., and Michael Leatherman will provide the bulk of services on this project. Other AEG staff members are available if required to contribute to the project and will work under the supervision of Dr. Fish.

William Stewart and Bentley Erdwurm are available as needed. Credentials are outlined below.

AEG personnel and project involvement are presented below.

Team Member	Position	Involvement	Rate/Hour
Dr. Thomas Fish tfish@ariadaireconomics.com (816) 900-1016	Project Leader	Overall Supervision; Regulatory Studies As Indicated by Project Scope	\$165
Royce A. Duffett, P.E.	Engineer	Engineering issues	\$150
William C. Stewart	Analyst	As needed; Determined by Project Scope	\$85
Michael J. Leatherman	Analyst	As needed; Determined by Project Scope	\$85
Michael J. Wulser, Esq.	Analyst	Research and mathematical/statistical modeling	\$95
Stephen O. King, CPA	Analyst	Accounting/hedge proposal evaluations	\$95

INSURANCE

Ariadair Economics Group will provide insurance as required. We currently carry \$2,000,000 general liability, \$2,000,000 professional liability, and \$1,000,000 commercial auto. AEG will provide the coverage sheets as well as any additional information required.

FEDERAL ID NO.

Ariadair Economics Groups' U.S. Federal Identification Number is 43-1253438.

PROJECT OVERVIEW

Our bid proposal for this project is for both Docket No. U-32977 and Docket No. U-33063. Docket No. U-33063 is the Commission's review of DEMCO's Annual Report to its Rider FRP and related attachments, as set forth in the U-30893 Order and DEMCO's request for extension of its FRP with modifications. Docket No. U-32977 is DEMCO's request for restoration expenses related to Hurricane Issac.

We propose to take up U-33063 first. We will assist the Commission's Legal, Audit, and Economics Division in analyzing DEMCO's Annual Report filing and determine if the filing complies with Rider FRP, and if any rate adjustments are necessary pursuant to the terms of the Rider FRP and attachments. AEG has experience in providing expert witness service in traditional rate base/revenue requirement analysis as well as Formula rate plan analysis and evaluation. In addition, we have provided expert witness service for the development of formula rate plans. DEMCO witness Varmado presents Exhibits A, B, and C in support of its application. It claims that these exhibits reflect the Formula rate Plan and Exhibits. AEG proposes to analyze and evaluate these calculations as well as the proposed modifications to the plan which are:

A sentence in Section 2.C.2(b) currently reads as follows:

"If the CTIER is less than the Lower Band (1.35), the Rider FRP Revenue level in effect for the test year shall be increased by 100% of the difference between the CTIER and the Lower Band."

DEMCO proposes that the above sentence be changed to read as follows:

"If the CTIER is less than the Lower Band (1.35), the Rider FRP Revenue level in effect for the test year shall be increased by 100% of the difference between CTIER and the Midpoint of the Bandwidth for TIER or 1.45".

Also, a sentence in 2.C.2(d) currently reads as follows:

"If the CTIER exceeds the Upper Band (1.55), the Rider FRP Revenue level in effect for the test year shall be reduced by 100% of the difference between the CTIER and the Upper Band".

DEMCO proposes that the above sentence be changed to read as follows:

"If the CTIER exceeds the Upper Band (1.55), the Rider FRP Revenue level in effect for the test year shall be reduced by 100% of the difference between CTIER and the Midpoint of the Bandwidth for TIER (1.45)".

Dr. Fish has addressed the use of Accounting Orders and an excerpt of his testimony in Arizona Public Service Co. Arizona Docket No 10-0474 addressing an accounting order is presented below.

Note that in the testimony Dr. Fish addresses a variety of deficiencies identified in the Company proposal and recommended that the proposal not be adopted. Subsequent to the filing of this testimony the Company addressed these issues and Dr. Fish then recommended that the revised request be authorized by the Commission. It was so adopted:

ACCOUNTING ORDER

Q. What is an accounting order?

A. An accounting order is a ratemaking mechanism that provides regulated utilities the ability to defer costs that would otherwise be expensed using generally accepted accounting principles.

Q. Are there any alternatives considered by APS that do not require significant capital investment on its part?

A. No. Whatever alternative is ultimately determined by the Commission to be in the best interests of all parties, it would appear that the transaction will require significant capital investment by APS. According to APS, at page 19 of its Application, if the proposed transaction moves forward, customer bills would increase by about 4% by 2017. If the plant owners shut down all units in 2016 and APS replaced the lost energy with natural gas the effect on ratepayers would double as APS bills would increase by about 8% using today's gas prices.

Q. The Company is requesting an accounting order. What does APS request from an accounting order?

A. With respect to the accounting order, APS requests an accounting order that will: (1) allow the Company to defer for future recovery depreciation and amortization costs, operations and maintenance costs, property taxes, final coal mine reclamation, and carrying charges associated with APS acquiring SCE's share of units 4 and 5; and (2) provide assurance that APS will be allowed to fully recover its investment in and carrying costs of units 1-3, and any additional costs (such as decommissioning and mine reclamation) incurred in connection with the closure of those units.

Q. Why would expensing costs result in the inability of APS to recover them?

A. Because of regulatory lag. The Company argues that expenses related to capital investments are not recovered under traditional regulatory procedure until the capital asset is included in rate base and rates are implemented that allow the utility to recover those costs on a going-forward basis, prior to that those expenses are foregone. That is, the owners are subsidizing rate payers because the Company is not provided the opportunity to recover in rates all of its legitimate cost of providing service.

Q. In your opinion is the APS estimated ratemaking cost deferral on the proposed acquired portion of Four Corners units 4 and 5 consistent with the facts and assumptions used in their evaluation of the alternatives?

A. From APS' perspective the request may be consistent with the facts and assumptions used in their analysis and evaluation of the alternatives. However, in my estimation the request is an overreach. The regulatory lag argument made by the Company is

only part of the story. The costs that APS can be expected to incur and the benefits to ratepayers as a result of the acquisition occur in every transaction where a utility purchases assets. The utility benefits at the end of the life of the asset when it is removed from service, but because of regulatory lag, continues to earn on the assets. Effectively there is a trade-off in the traditional regulatory arena: Rate payers benefit at the beginning of the life cycle of the asset and the utility benefits at the end. An accounting order can skew this sharing of benefits away from the traditional joint sharing to an over-recovery by the utility. APS actually has a great deal of control over their ability to recover costs because they decide when to file a general rate case.

Q. If the Commission approves an accounting order, does that guarantee that APS will recover all its costs?

A. No. The costs are only deferred. The Commission, in the Company's next rate case, must still determine the prudence of the costs.

Q. Does the Company provide arguments in support of its request for an accounting order?

A. Yes. APS provides arguments in support of its request for an accounting order authorizing cost deferral and facilitating the early retirement of units 1 – 3 as follows: (1) APS customers will enjoy substantial long-term cost savings if the Application is approved. (2) The long-term cost advantage comes at a significant short-term cost that would have to be absorbed entirely by APS, absent the accounting order permitting deferral. (3) There is the \$294 million purchase price and the increased operating expenses associated with the additional ownership. (4) APS will assume certain of SCE's assets and liabilities, such as those associated with final plant decommissioning and coal reclamation, which APS will record at fair value at the time of the acquisition (The Company includes the Purchase and Sales Agreement as part of its application). These new costs amount to an estimated \$70 million per year (APS spreadsheet 13928). Without the ability to defer the costs, APS claims that it will lose the ability to recover them.

Q. When will the capital investment associated with anticipated EPA rulings become necessary?

A. According to Company witness Schiavoni at page 4 line 25 through page 5 line 6, if the proposed rules become final, APS will have to install the equipment and incur the capital costs by approximately 2016, or possibly as early as the end of 2014 for mercury removal capital investment for units 1 - 3. In addition, the California PUC prohibits SCE from using Four Corners energy by 2016.

Q. If the Company is authorized to acquire the SCE ownership interest in units 4 and 5 but defers closing the deal until after 2013 can it be expected to incur additional O & M expenses in 2013?

A. Absent any significant capital investment prior to completing the transaction, and APS does not identify any, there should be no significant incremental O & M expenses in 2013.

Q. If the Company is authorized to acquire the SCE ownership interest in units 4 and 5 but defers closing the deal until after 2013 will it incur additional PSA costs in 2013?

A. No. The PSA would continue operating as it has in the past until the transaction occurs. However, after the transaction is completed, under the Company's PSA customers could immediately benefit from the fuel savings that will result from the proposed transaction. However, because of the 90/10 sharing component of the PSA, the Company would have only ten percent of that savings available to help offset the transaction's costs.

Q. In your opinion is there any compelling reason for APS to close the transaction on October 1, 2012, rather than closer to 2016?

A. No. In fact, it would appear to be in APS' and SCE's best interest to complete the transaction closer to 2016 than on October 1, 2012. It gives SCE access to 739 MW of low cost base load energy for up to four years at no additional cost to APS. There is value to SCE because the purchase and sales agreement reduces the cost of the plant by \$7.5M each month after October 1, 2012 that the transaction occurs. It would be in APS' best interest to complete the transaction closer to 2016 than on October 1, 2012 because it allows APS to continue operations as usual without incurring additional costs, provides a source of reasonable priced additional base load energy (179 MW), and defers and reduces possible significant capital expenditures. If mandatory mercury removal (estimated at \$235M) is mandated by the end of 2014, then a closing date of 2014 would be beneficial to both parties, i.e., SCE get the use of the plant until then and APS saves \$7.5M per month from October, 2012 until the end of 2014.

And, of course, delaying the closing date delays the rate increase associated with the closing. This is especially important given APS' expected rate case filings over the next five years.

Q. In your opinion, is there any compelling reason for the Commission to decide this matter at this time?

A. Yes. A decision now serves to avert significant uncertainties. These include:

1. Ability to negotiate a lease renewal of the land.
2. Ability to negotiate a new lease for fuel.
3. Stability of the Navajo Nation's economy and employment rate.
4. Stability in APS' ability to meet its future baseload requirements.
5. Stability in APS' position among investors and shareholders.

Q. Do you agree that APS should be given an accounting order for non-depreciation and amortization O & M costs and other miscellaneous charges as they request in the Application?

A. No. In my opinion a strong argument can be made that total non-depreciation and amortization costs could be expected to decline as a result of the transaction. First, APS is replacing 560 MW of relatively inefficient base load generating capacity with 739 MW of relatively efficient base load generating capacity. This could be expected

to lower the non-depreciation and amortization O & M costs, at least of the first 560 MW of efficient energy. Second, the additional 179 MW of base load capacity is also relatively efficient capacity. Since APS does not currently require the extra 179 MW of capacity to meet its base load demand, that capacity could be used to replace a like amount of relatively inefficient base load capacity. The net result could be, if not a net reduction in O&M costs directly related to this transaction at the Four Corners plant, at least to APS' system overall.

Q. Are you recommending that no O & M expenses be allowed in the accounting order?

A. No. In the event the Commission does authorize an accounting order for this transaction, I recommend that the Commission direct the Company to demonstrate that any deferred O & M expenses be demonstrated to be greater than what otherwise would have occurred and that comparison be made to units 1 – 3.

Q. In your opinion, how long should the deferred accounts requested by APS last?

A. In my opinion the deferred accounts should last only so long as necessary to get them placed in rate base. In my opinion that would be the shorter of the time when rates are implemented as the result of a general rate case that ends after the date of the transaction, or 36 months from the time of the transaction.

Q. Is APS requesting that a return be earned on the deferred accounts?

A. Yes. APS is requesting a return equal to its pre-tax embedded weighted cost of capital from its last rate case, 12.21%.

Q. Do you agree that APS should be authorized to earn a pre-tax embedded weighted cost of capital of 12.21%?

A. No. If the Commission authorizes an accounting order to accompany the transaction the Company should not be authorized to earn a guaranteed return on any deferred accounts. That would simply be guaranteeing the Company a return rather than providing it with an opportunity to recover that return via its operating efficiency. The Company has not provided any support for earning a return on those deferred accounts at all. Therefore, it should not be permitted to earn a return on those accounts.

Q. In your opinion, should the Commission issue an accounting order as requested by the Company?

A. No.

Q. If the Commission decides to grant APS' requested accounting order, should it include conditions?

A. Yes.

Q. In your opinion, what should those conditions be?

A. I would recommend that the Commission adopt conditions similar to those it adopted in Decision No. 67405, the Sundance decision.

Q. Would you summarize those?

A. Yes. In that case APS requested authority to defer for future recovery all capital and operating costs associated with the acquisition, with a debt return, net of any savings produced by the acquisition of Sundance. APS argued that savings from the purchase of the Sundance Plant (such as reduced fuel costs and reduced power cost), would reduce the amount of deferrals associated with capital and operating costs each year. APS also makes that argument in this case. The conditions placed on the accounting order in Docket No. E-01345A-04-0407, Decision No. 67504 were:

“ No deferrals shall be recorded unless its PSA continues to recognize off-system sales as a credit (reduction) to the recoverable balance.” (p. 26)

“ The deferral period shall stop if off-system sales are no longer recognized as a credit.” (p. 26)

“ Debits to the deferred costs shall terminate no later than 36 months after the completion of the transaction or on the effective date of rates authorized in any rate case subsequent to the transaction.” (p. 27)

“ No cost of money shall be applied to any deferred amounts.” (p. 27)

“ Overhead costs shall not be deferred.” (p. 31)

“ Deferred direct costs shall only be debited when supported by an analysis conducted by the Company demonstrating that those costs have not been otherwise recovered.” (p. 31)

“ Projections may be used to calculate the net savings components (fuel costs, purchased power and off-system sales) of deferred costs. The projections shall have identical parameters, except to recognize the inclusion of the Sundance Generating Station, to eliminate bias and manipulation and to facilitate accurate measurement of net savings.” (p. 35)

“ The results of the projections shall be reported as part of the monthly filings required for the PSA.” (p. 36)

“ APS shall participate in the net savings/costs related to fuel and purchased power costs and off-system sales at the same percentage rate as it participates in the PSA.” (p. 36)

In addition Dr. Fish has presented testimony regarding development and modification of FRPs as well as review and analysis of ongoing operation of FRPs. In these proceedings such issues as affiliate transactions and cost of service were reviewed, analyzed, and evaluated.

Scope of Representation

AEG proposes to assist Staff in performing all duties laid out in the RFP in analyzing DEMCO's Annual Report filing and determine if the filing complies with the Rider FRP, and if any rate adjustments are necessary pursuant to the terms of the Rider FRP and attachments. The existing FRP will be taken up first because of the deadlines included in the FRP. After we analyze and

evaluate the Company's adherence to its FRP we propose to review its request for extension/modification of its FRP, including a review of the financials to determine whether extension of the FRP is in the public interest and under what terms. Third, we propose to review the Company's request for recovery of expenses related to Hurricane Isaac. This Review will be conducted concurrent with the review of the FRP extension. In performing this duty AEG proposes to review the filings, accompanying work papers and the Company's financial data; draft and assist in the drafting of data requests; analyze data responses; participate in formal status conferences, pre-trial conferences, depositions, and hearings; draft and prepare audit memoranda and/or [re-filed testimony in support of Staff's ultimate recommendations , together with exhibits supporting the memoranda and/or pre-filed testimony; and assist in the drafting of applicable motions, exceptions, briefing sheets and orders of the Commission. Additionally, the consultant shall be available to participate in informal conference calls, meetings and conferences with the Commission and its staff as well as attending any Business and Executive that the Staff deems necessary. The scope of the work will continue through the conclusions of the dockets through Commission vote, regardless of whether said vote is the result of a stipulated agreement or contested hearing recommendations.

QUALIFICATION REQUIREMENTS

Ariadair Economics Group personnel are qualified to prepare and render expert assistance with respect to all of the issues addressed in the RFP and which are likely to arise in the proceeding. Our personnel are experienced in analyzing the operations, books and records of and electric (and other) utility companies. We have conducted various types of analyses involving IRP, demand and supply side programs, hedging, and other issues. (Hedging can be an important safeguard for the IRP process). In addition, we have a high level of academic qualifications and background as well as practical experience in the field of public utility practice, and similar practice before other state public utility commissions.

Our professional staff is qualified to review and analyze all of the issues anticipated to arise in this proceeding. We are able to evaluate the relevant issues as they arise and, in addition, we are able to, and have experience in, assisting technical and legal staff in all aspects of regulatory proceedings. We have attached recent testimonies and reports, addressing the issues to be considered in this proceeding. Our personnel have a great deal of practical and academic expertise to bring to this project.

As indicated above, AEG personnel have a great deal of practical and academic experience and expertise which render them highly qualified to perform the tasks identified in the RFP. Specifically, AEG have the following experience and capabilities:

- *Appropriate accounting standards and practices for utilities, public utility accounting, and generally accepted auditing standards.* Dr. Fish has not only taught financial accounting at the college level but has testified as an expert witness regarding financial accounting issues in regulatory proceedings. These issues include income and expense adjustments required for revenue requirement identification; rate base issues relating to historic cost rate base, reconstruction cost new (RCN) rate base, and fair value rate base. In addition, he has testified to a multitude of other financial accounting issues including acquisition of coal mine; acquisition of

regulated utility; affiliate transactions; annualizing; audit of fuel handling costs; audit inventory surveying methodologies and results; audit maintenance programs; audit purchase power and fuel costs; Audit purchase power contract for compliance with policies and procedures; required return; CWIP analysis; depreciation studies; derivative valuation review and analysis/mark to market; and many other issues identified in the attached vitae Mr. Wulser has extensive experience in electric company rate cases and is an expert in the area of administrative and judicial research. Mr. King has a great deal of experience in regulatory accounting and hedging issues. And Mr. Duffett has extensive experience in electric and natural gas distribution Company engineering issues.

- *Appropriate ratemaking adjustments to be made to the utility accounting records.* AEG personnel have a great deal of experience in base rate determination and the accounting treatment required for removing inappropriate entries to fuel cost and to base rates.
- *Appropriate allocations of costs to base rates and fuel.* Our personnel have a great deal of experience in this area. The PGA Order identifies those natural gas distribution costs that can be and cannot be included in the PGA and General Order R-29380 Subdocket A identifies those costs that are to be included in the FEAC and those costs that are not to be included in the FEAC. To the extent that costs have been included that should not have been, and vice versa, we will make appropriate adjustments.
- *Recoverable expenses for ratemaking purposes.* We have experience in determining expenses that should be included and that should not be included for ratemaking purposes and from where, PGA, FEAC or base rates, these expenses should be recovered.
- *Just and reasonable costs and prudent investments associated with providing reliable and quality service.* Service quality is a major consideration in the provision of utility service. We propose to rely on our experience with prudence audits and LPSC rules and precedents to ascertain that the project is seen through to a successful conclusion.
- AEG personnel are qualified and prepared to prepare and render expert testimony, and be cross-examined, with respect to all of the issues addressed in the RFLP and which are likely to arise in the proceeding. We are experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, including, but not limited to, calculation of rate base, rates of return, and capital structure. Our personnel are experienced with ratemaking treatments and/or principles including electric Co-ops. We are also experienced with incentive based rate mechanisms such as FRPs (we have developed the programs and have copies of our relevant testimonies available), questions of proper capital structure, affiliate transactions, costing methodologies and are qualified to render expert testimony with respect to the following:
 1. Appropriate accounting standards and practices for electric public utilities and/or electric cooperatives, public utility accounting, and generally accepted auditing standards;

2. The appropriate ratemaking adjustments to be made to the utility's accounting records;
3. NARUC approved cost-of-service methodologies for electric cooperatives;
4. The determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
5. Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
6. The cost allocation methodologies for the allocation of investment and expenses between affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies and the provision of services between affiliates;
7. Cost of capital, including capital structure, cost of debt, cost of equity and rates of return;
8. Familiarity with just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
9. Depreciation and taxation; and
10. A detailed understanding of the major functional areas of a regulated electric cooperative.

In summary, the AEG personnel assigned to this project are highly trained and experienced experts. Our plan of action, estimated timeline, and fees and costs of the project are presented below. We accept that in the event AEG is chosen to conduct the audit, the Commission and its Staff shall have the right to determine how the tasks will be carried out.

AEG PERSONNEL

Recent Project / Expert Witness Testimony of Dr. Thomas Fish –

(General References for AEG: Lindil Fowler, Esq. General Counsel Texas Railroad Commission, (512) 463-6715; Rick Gangling, Esq., City Attorney, Cincinnati, Oh., (513) 352-3329; Norma Eagleton, Esq. Formerly Commissioner at Oklahoma Corporation Commission.

- **UNS Electric** (Tucson, AZ) – Docket No. 09-0472 (on behalf of Arizona Corporation Commission)
 - Filed by UNSE April 30, 2009.
 - *Contact: Alex Give or Barbara Keene at (602) 542-4251*
 - Issues:
 - Rate Base/Revenue Requirement
 - Cost of Service/Revenue Spread/Rate Design
 - Integrated Resource Planning
 - Affiliate Transactions
 - Depreciation Rates
 - Audit Purchase Power/Fuel Adjustment Clause

- Acquisition of Power Plant
 - Reconstruction Cost New, Original Cost, and Fair Value rate base
 - Audit Hedging policies
 - Working Capital
- **UNS Gas** (Tucson, AZ) – Docket No. 71623 (on behalf of Arizona Corporation Commission)
 - Filed by UNSG November 07, 2008
 - *Contact: Barbara Keene or Julie McNeely-Kirin at (602) 542-4251*
 - Rate Base/Revenue Requirement
 - Cost of Service/Revenue Spread/Rate Design
 - Depreciation rates
 - Reconstruction Cost New, Original Cost, and Fair Value rate base
 - Working Capital
 - PGA audit, including hedging program
 - Affiliate Transactions
- **Arizona American Water** – Docket No. 10-0448 (On behalf of RUCO)
 - June 2011.
Contact: Director Jodi Jerich, Esq. or Dan Pozefsky, Esq. At (602) 364-4835
 - Review of investment prudence.
 - Determination of used and useful capital investments
 - Rate Base/Revenue requirement issues
- **Arizona Public Service Co.** – Docket No.10-0474 (On behalf of RUCO)
 - July 2011.
Contact: Director Jodi Jerich, Esq. or Dan Pozefsky, Esq. at (602) 364-4835
 - Evaluation of proposed accounting order
 - Analysis of proposed acquisition of power plant
 - Navaho Nation issues
 - EPA Rules/Regulations
- **Louisiana Gas Service Co.** PGA Audit (On behalf of Louisiana PSC)
 - January, 2011.
Contact: Dennis Weber, Esq. or Steve Kable, Esq. at (225) 342-4999
 - PGA audit
- **Trans Louisiana Gas Co.** PGA Audit (On behalf of Louisiana PSC)
 - January, 2011.
Contact: Dennis Weber, Esq. or Steve Kable, Esq. at (225) 342-4999
 - PGA Audit
- **ADA Racing v. Sikk Industries.** Phoenix Federal Court (on behalf of ADA Racing)
Contact: Donald Wruck, Esq, lead attorney (219) 322-1166
Issues:
 - Trademark and trade dress
 - Anti-competitive practices

- Unfair competition
 - **EcoGlobal Ambiental (Rio de Janario, Brazil) v. CETCO Oilfield Services (Houston)**, on behalf of Ecoglobal Ambiental
Contact: Donald Wruck, Esq, lead attorney (219) 322-1166
Issues:
 - Contract violation
 - Business value diminution
 - Unfair competition
 - Predatory practices
 - **Precision Industries v. Curtis Chandler on behalf of Precision Industries**
Contact: Eden Whitten, Esq, lead attorney (402) 346-6000
Issues:
 - Predatory practices
 - Harm to competition
 - Unfair competition
-

Recent Project/Expert Witness Testimony of Royce A. Duffett P.E.

- **Arizona American Water** – Docket No. 10-0448 (On behalf of RUCO)
 - June 2011.
Contact: Director Jodi Jerich, Esq. Dan Pozefsky, Esq. at (602) 364-4835
 - Review of investment prudence.
 - Determination of used and useful capital investments
 - Rate Base/Revenue requirement issues
 - **Arizona Public Service Co.** – Docket No.10-0474 (On behalf of RUCO)
 - July 2011.
Contact: Director Jodi Jerich, Esq. or Dan Pozefsky, Esq. at (602) 364-4835
 - Analysis of alternative base-load electricity generating processes (including hybrid and renewables)
 - Navaho Nation issues
 - EPA Rules/Regulations
-

Recent Project / Expert Witness Testimony of Stephen King

- **Vermont Gas Systems, Inc.** Alternative Regulation (On behalf of Vermont Department of Public Service).
February, 2011. (Dockets No. 7803 and 7804)
Contact: Louise Porter, Esq. at (802) 828-2811
 - Alternative regulation
 - Revenue Requirement/rate base
 - Working capital

- Hedging/PGA issues
-

Recent Project / Expert Witness Testimony of Bentley Erdwurm –

(contact for Tucson Electric Power, UNS Electric, and UNS Gas is Kent Grant, Vice President-Finance for UniSource @ 520-571-4000. PO Box 711, Tucson, AZ 85701.)

TESTIMONY AS EXPERT WITNESS:

- **Tucson Electric Power Company** (Tucson, AZ) – Docket No. 70628
 - Direct – July 2, 2007.
Jurisdictional Allocation; Rate Setting Methodologies; Power Supply Adjustments and Recovery; Weather Normalization Adjustments; Customer Annualization Adjustments; Class Cost of Service Studies; Rate Design; Unbundling Methodologies; Unbundled Transmission Pricing for Retail Service; Time-of-Use Rates; Determination of Time Periods for Time of Use; Inclining Block (Tiered) Rates; Conservation and Load Shifting Incentives; Customer Charges; Lifeline Discount for Low-Income Customers; Proposed Revenue Changes by Class; Service and Late Fee Adjustments. (Settlement approved included Demand Response, Interruptible programs).
- **UNS Electric** (Tucson, AZ) – Docket No. 70440
 - Direct – December 15, 2006; Rebuttal – August 14, 2007; Rejoinder – August 31, 2007.
Weather Normalization Adjustments; Customer Annualization Adjustments; Class Cost of Service Studies; Rate Design; Time-of-Use Rates; Determination of Time Periods for TOU; Inverted Block (Tiered) Rates; Conservation and Load Shifting Incentives; Geographical rates, Power Supply Adjustments and Recovery; Rate Unbundling; Demand Side Management Cost Recovery; Low-Income Programs.
- **UNS Electric** (Tucson, AZ) – Docket No. 72213
 - Direct – April 30, 2009. Rebuttal – December 11, 2009. Rejoinder – January 25, 2010.
Weather Normalization Adjustments; Customer Annualization Adjustments; Normalization of Low-Income Program Costs; Class Cost of Service Studies; Rate Design and Customer Charges; Time-of-Use Rates and Differentials; Demand-Response/Super Peak; Rate Reclassification for New Generating Station; Low Income Programs.
- **UNS Gas** (Tucson, AZ) – Docket No. 70011
 - Direct – July 13, 2006 (note: Erdwurm adopted pre-filed testimony of UNSG witness Tobin Voge);
Rebuttal – March 15, 2007; Rejoinder – April 11, 2007.
Weather Normalization Adjustments; Customer Annualization Adjustments; Class Cost of Service Studies; Rate Design; De-coupling Mechanisms; Demand Side Management Cost Recovery; Low-Income Programs.
- **UNS Gas** (Tucson, AZ) – Docket No. 71623
 - Direct – November 07, 2008; Rebuttal – July 8, 2009; Rejoinder – August 5, 2009.

*Weather Normalization Adjustments; Customer Annualization; Adjustments; Class
Cost of Service Studies; Rate Design; Low-Income Programs.*

Prior testimony for Tucson Electric Power

- **1999 Settlement Agreement** - Decision No. 62103 (Unbundling for Direct Access)
- **Application for Rate Increase** - Decisions 61104 & 59594 – July 1995 (Cost Allocation and Rate Design)
- **Application for Rate Increase** - January 1993 (Rate Design)

Prior testimony for Alabama Gas Corporation (Birmingham, AL)

- Testified on Fair Market Value and Impacts of Alabama Gas' Acquisition of Municipal Gas Distribution Systems (East Lauderdale Gas District and Double Springs Gas System) (1989-90).

Prior testimony for Public Utility Commission of Texas (Austin, TX)

Testified on Weather Normalization Adjustments; Customer Annualization; Class Cost of Service Studies; Rate Design (1982-86), Cogeneration/Self-Generation. PUC witness for Gulf States Utilities, Texas-New Mexico Power Company; Texas Power & Light Company; Dallas Power and Light, Texas Electric Service Company, Texas Utilities Electric, West Texas Utilities, Central Power and Light, City of Austin, plus numerous member-owned cooperatives.

COMPANY REFERENCES

Lindil Fowler, Esq.

General Counsel

Texas Railroad Commission

1701 N. Congress Ave., Ste. 1200

Austin, TX 78501

(512) 463-6715

(Formerly General Counsel of the Oklahoma Corp. Commission)(The Railroad Commission oversees mineral extraction in Texas including oil and natural gas and regulates natural gas distribution companies).

Norma Eagleton, Esq.

Eagleton, Eagleton & Harrison

320 S. Boston Ave. #1700

Tulsa, OK 74103

(918) 584-0462

(Previously a Commissioner at the Oklahoma Corporation Commission)

John Bervainis

Budget Director

Nebraska PSC

300 The Atrium

1200 N Street

Lincoln, NE 68508

(402) 471-0240

RELATIONSHIP WITH LOUISIANA UTILITIES

The undersigned does hereby certify there is no substantive financial interest by key members of AEG in any Louisiana utility, affiliates, or parent companies of Louisiana utilities. In addition, there is no previous or current employment which could result in a conflict of interest and we have not and are not representing private clients before the LPSC. It is further certified that, should a conflict of employment or financial interest arise by a key member of AEG occur during the period of active involvement in the proceedings, the Commission will be immediately notified and shall have the right to terminate the contract.

Signature

Date

Title

NAME OF ORGANIZATION/ADDRESS

Ariadair Economics Group
414 S. Thompson Ave.
Excelsior Springs, MO 64024
(816) 900-1016

Ariadair Economics Group will use no subcontractors in this engagement.

PROGRESS REPORTS

Throughout all phases of work, we will submit, on a monthly basis, two (2) copies of a work status report to the LPSC that will assess the project progress and notify the LPSC of any significant problems. The report will contain the following information: Comparison of actual or planned progress in carrying out all of our tasks during the previous month. Identification of actual or potential problems in completing the work with an assessment of their probable impacts and any recommended solutions to the problem

INFORMATION TECHNOLOGY CAPABILITIES

AEG personnel are able to use Microsoft Office Systems as well as other systems whose use may be required. AEG has FAX capability. We have a web site at www.ariadaireconomics.com, and are able to communicate and transmit documents via email.

WORK PRODUCTS

As evidence of completion of the major work elements, AEG will provide the following work products: Electronic copies of report drafts, testimonies and/or work papers developed in Microsoft Excel or Word format and, Electronic copies of proposed data requests in Microsoft Word format.

TIME LINE

The project is expected to last 12 months. The proposed time line is presented in detail in the "Scope of Representation" Section above.

COMPANY EXPERIENCE

ARIADAIR Economics Group has a great deal of experience providing expert witness and consulting service in administrative and judicial litigation. We have provided expert assistance in numerous utility regulatory proceedings including electric utilities. Copies of our prepared direct and rebuttal testimonies are available upon request.

COST PROPOSAL SUMMARY

The Table below provides a summary of labor and other costs by major project component and total:

Labor (See Detail Below)	\$62,330
Labor Hours	522
Expenses	
Airfare 3 Trips @ \$750	\$2,250
Hotel 8 @ \$90/night	\$720
Meals 8 days@ \$35/day	\$280
Ground Transportation	\$500
Copies	\$500
Miscellaneous	\$500
Total Expenses	\$ 4,750
Total Cost	\$67,080

LABOR HOURS AND COST BY COMPONENT/WORK LOCATION

The following table provides a summary of estimated labor hours by employee, major project component and work location:

	Hours	Cost
T. Fish		
Project Leader		
Missouri	148	\$24,420
Louisiana	48	\$ 7,920
M. Leatherman.		
Analyst		

Missouri	98	\$8,330
Louisiana		
Stephen King		
Analyst		
Missouri	92	\$8,740
Louisiana	40	\$3,800
M. Wulser		
Analyst		
Missouri	96	\$9,120
Louisiana		
Total	522	\$62,330

PROFESSIONAL LABOR RATES

Team Member	Position	Hourly Rate
T. Fish	Project Leader	\$165
B. Erdwurm	Senior Analyst/supervisor	\$150
R. Duffett	Engineer	\$150
W. Miller	Senior Data Base Administrator	\$150
C. Stewart	Analyst	\$ 85
M. Leatherman	Research Analyst	\$ 85
M. Wulser	Analyst	\$ 95
S. King	Analyst	\$ 95

LABOR HOURS AND COST BY WORK TASK AND PROJECT COMPONENT

The following table shows labor hours and cost by work task by component and total.

Description	Labor Hours	Labor Cost
FRP		
Income Statement	205	\$24,478
Budget Analysis	84	\$10,001
Bond Refinancing/Repricing Analysis	74	\$ 8,836

FRP Modifications/Extension	53	\$ 6,329
Hurricane expense recovery	106	\$12,657
TOTAL	522	\$62,330

TOTAL PRICE BID PROJECT

	Total
Total Labor (100%)	\$62,330
Direct Costs (50%)	\$31,165
Overhead Costs (43%)	\$26,802
Profit (7%)	\$ 4,363

APPENDIX A: RESUMES OF AEG PERSONNEL

Thomas H. Fish, PhD

ADDRESS/PHONE

1020 Fredericksburg Rd.
Excelsior Springs, MO 64024
(816) 630-0628
email: tfish@ariadaireconomics.com

EDUCATION

University of Arkansas Ph.D., Major: Economics. Minors: Marketing/Management, Finance, and Quantitative Methods.

Central Missouri State University, Warrensburg: MA, Economics

University of Missouri - Kansas City, Kansas City BA, Economics

EXPERIENCE

Administrative proceedings – participated in over 80 proceedings involving economics, statistics, accounting, finance, market structure and industrial organization issues in telecommunications, electric, and oil and natural gas distribution industries.

Managerial experience – Over 20 years' experience in managing private businesses. Experience in personnel, economics, market research, finance, accounting, and operations management. Managed technical departments in several firms and was group manager in many major projects.

Judicial proceedings – participated in over 70 proceedings involving antitrust, contract damages, insurance defense, economic loss, market structure and performance, and other related economics/statistics/finance issues.

Other engagements – participated in over 75 private industry and governmental engagements involving economics, market structure, statistics, finance, and operational issues.

Teaching Experience –Through July, 2003 Professor of Business and Economics at William Jewell College. Duties included teaching classes in Economics, Finance, Quantitative Methods, and Management. Taught classes at Webster University, Avila College, and Longview Metropolitan College on an adjunct basis between 1984 and 1997. Taught graduate and undergraduate classes in the areas of Management, Marketing, Financial Accounting, Finance, Statistics, Quantitative Methods, and Economics.

1981-1986 Regulatory Consulting and Expert Witness Services. Ariadair Economics Group. Concentration on Regulatory Consulting and Expert Witness Services for Regulatory Commissions and Consumer Advocates.

1986-1987 Directory, Economics Department, LMSL Consultants, Overland Park, Kansas. Concentration on Regulatory Consulting and Expert Witness Services for Regulatory Commissions and Consumer Advocates.

1987-Present Judicial and administrative litigation consultant and expert witness, Ariadair Economics Group. Regulatory consulting and the regulatory experience led to a large number of utility antitrust and related litigation engagements in addition to regulatory Commission and Consumer Advocate regulatory engagements. During the period 1981 -2000 taught on an adjunct basis at local colleges including Avila University and Webster University. During the period 1981-1999 had Consumer Advocate clients in Arizona, Nevada, Illinois, Ohio, Pennsylvania and Maine. Also during this period had Commission clients in Nebraska, Oklahoma, Tennessee, Pennsylvania, Missouri, and South Dakota,

Through 2003 Professor of Business and Economics at William Jewell College, Liberty, Mo. During this period also had several judicial litigation engagements involving asset valuation and economic loss..

PUBLICATIONS

- "An Analysis of Valuation of Community Bank Stocks." Quarterly Community Bank Journal, April, 1983.
- "An Analysis of Trends in Prices of Community Bank Control Sales." Quarterly Community Bank Journal, July, 1983.
- "An Analysis of Publicly Traded Multi-Bank Holding Company Market Performance After Acquisition of Community Banks." Quarterly Community Bank Journal, October, 1983.
- "Derivation of a Valuation Index for Community Bank Control Sales." Quarterly Community Bank Journal, January, 1984.

RESEARCH

Professional Presentation

- "An Econometric Model of Missouri." Presented at the Missouri Valley Economic Association, 1974.

Consulting Research

- Economic Impact of Various Utility Rate Structures on State and Regional Economies.
- Demographic Analysis of Economic Regions.
- Determination of Market Characteristics and Parameters for Jet Aircraft Manufacturing Firms.
- Determination of Optimal Refinancing and Capital Structuring and Corresponding Cost of Capital and Return for Acquisitions and Mergers.
- An Econometric Analysis of NECPA Pricing Policies.
- An Econometric Analysis of the Effect of the Proposed 15% Severance Tax (Senate Bill #892) on the Economy of the State of Kansas.
- Curtailment of Demand Econometric Model for Cincinnati Bell Telephone Company's Service Area.
- Development of Control Procedures for Large Construction Projects.
- Development of Automatic Bill of Materials Systems of Manufacturing Processes.
- Development of Planning and Forecasting Models.
- Utilization of Economic Analysis in Business Decision-Making Situations (Seminar).
- A Long-Term Forecast of Relative Costs of Alternative Energy Sources.
- Analysis of the Validity of Sampling Procedures for Determination of the Growth Component of the DCF Model.
- Analysis of the Relative Risk of Customer Classes of Electric Companies.
- Development of EDP Models for Determining Optimal Price, Financing Strategy, and Expected Return for Corporate Acquisitions and Mergers.
- Analysis of Asset Valuation in Bankruptcy Cases.
- Preparation of Bank Charter Applications and Supporting Economic/Demographic Analyses.

Daniel "Bentley" Erdwurm

derdwurm@ariadairconomics.com

SKILLS OVERVIEW:

- Product Pricing; Rate Design; Cost Recovery Mechanisms
- Cost Allocation Studies
- Economic / Financial Analysis; Cost-Benefit Analysis
- Forecasting / Capital Budgeting / Variance Analysis
- Applied Statistical Analysis - Statistical Analysis System (SAS), SPSS; SAS JMP.

*Sampling / Experimental Design / Data Analysis / Tests of Program
Effectiveness*

- Marketing Analysis; End-Use Studies
- Acquisition Studies.

EDUCATION:

M.S. in Economics, Texas A&M University.

B.A. in Economics, University of Dallas.

Forty-two semester hours of coursework in the doctoral program in Mathematical Statistics at the University of Texas at Dallas, and six hours of graduate level coursework in Statistics at Arizona State University.

COST ALLOCATION/RATE DESIGN TESTIMONY AS EXPERT WITNESS:

- **Tucson Electric Power Company** (Tucson, AZ) – Docket No. 70628
- **UNS Electric** (Tucson, AZ) – Docket No. 70440
- **UNS Electric** (Tucson, AZ) – Docket No. 72213
- **UNS Gas** (Tucson, AZ) – Docket No. 70011
Mechanisms; Demand Side Management Cost Recovery; Low-Income Programs.
- **UNS Gas** (Tucson, AZ) – Docket No. 71623

Prior testimony for Tucson Electric Power

- **1999 Settlement Agreement** - Decision No. 62103 (Unbundling for Direct Access)
- **Application for Rate Increase** - Decisions 61104 & 59594 – July 1995 (Cost Allocation and Rate Design)
- **Application for Rate Increase** - January 1993 (Rate Design)

Prior testimony for Alabama Gas Corporation (Birmingham, AL)

- Testified on Fair Market Value and Impacts of Alabama Gas' Acquisition of Municipal Gas Distribution Systems (East Lauderdale Gas District and Double Springs Gas System) (1989-90).

Prior testimony for Public Utility Commission of Texas (Austin, TX)

- Testified on Weather Normalization Adjustments; Customer Annualization; Class Cost of Service Studies; Rate Design (1982-86), Cogeneration/Self-Generation. PUC witness for Gulf States Utilities, Texas-New Mexico Power Company; Texas Power & Light Company, Texas Electric Service Company, Dallas Power & Light Company, West Texas Utilities, Central Power and Light Company, and Austin Utilities (1982-85);

UTILITY/TEACHING EXPERIENCE:

Ariadair Economics Group (June 2011 – Present),
1020 Fredericksburg Road, Excelsior Springs, MO 64024. (520) 861-0013
Senior Analyst/Supervisor. Consulting services in areas of: Cost Allocation; Pricing;
Statistical and Economic Analysis.

University of Phoenix (August 1995 - Present)
4635 E. Elwood Street, Phoenix, AZ 85040. (480-557-2000).
Instructor - Statistics, Economics and Finance and Quantitative Methods, Part-time -
evenings). Awarded "Outstanding Instructor, College of Graduate Business" in 1997
(Tucson, AZ), 1999 (Tucson), and 2002 (Phoenix). Also taught classes at **Texas A&M
University** (College Station, TX), **Dallas County (TX) Community College District** (Dallas,
TX), and **Jefferson County Junior College** (Birmingham, AL).

Tucson Electric Power Company (February 2006 – July 2010) -
(UniSource Energy Corporation – Includes **UNS Gas & UNS Electric**), Pricing and
Forecasting Department, 1 South Church Avenue, Tucson, AZ 85701. Lead Forecasting
Analyst & Lead Pricing Analyst. Sales and revenue forecasting using Statistical Analysis
System (SAS); budget variance review, pricing strategy and rate unbundling, tariff design,
time-of-use, demand response, interruptible; green pricing; contract analysis including
pricing and payment terms; economic and statistical analysis, net metering, and self-
generation analysis. Expert witness on pricing strategy and tariff design for UniSource
Energy subsidiaries: Tucson Electric Power Company, UNS Electric, Inc. and UNS Gas.

Arizona Public Service Company (September 1999 - December 2005)
Pricing and Regulatory Services Department, 400 N. 5th Street, Phoenix, AZ 85004. Pricing
Consultant
Pricing, statistical and economic analysis. Commercial customer usage and peak demand
analysis using SAS; Interruptible load analysis; prepay service analysis; green pricing
analysis; rate unbundling.

Tucson Electric Power Company (April 1991 - September 1999) - Marketing and
Regulatory Services Department, 1 South Church Avenue, Tucson, AZ 85701. Rate Services
Supervisor, (April 1993 - September 1999); Senior Rate Analyst, (April 1991 - April 1993).
Supervision of load forecasting and load research. Expert witness on pricing, cost
allocation, and statistical issues. Analysis and implementation of interruptible programs
and time-of-use. Rate unbundling for competition / direct access.

Alabama Gas Corporation (October 1985 - April 1991) - 2101 Sixth Avenue North,
Birmingham, Alabama 35203. Coordinator of Rates and Regulations, (April 1988 - April
1991); Senior Rate Analyst, (October 1985 - April 1988). Purchased Gas Adjustment,
pricing and cost-of-service analysis; analysis of low-income programs; FERC issues;

municipal acquisition negotiating team; gas transportation contracts; prudence of gas purchases. Testified as an expert witness on the fair market value of acquired companies.

Public Utility Commission of Texas (May 1982 - October 1985) - 7800 Shoal Creek Boulevard

Austin, Texas 78757. Senior Rate Analyst (May 1984-October 1985); Senior Economic Analyst (May 1983-May 1984); Economic Analyst (May 1982-May 1983). Testified as an expert witness in over twenty electric utility rate cases on statistical, econometric, cost of service allocation and rate design issues.

Royce A. Duffett, P.E.

rduffett@ariadaireconomics.com

EDUCATION

1991-1994 B.S., Civil Engineering, University of Missouri

Special Courses: Numerous special courses dealing with safety, project management and planning, construction contract administration, and related issues.

REGISTRATIONS: Registered Professional Engineer in Missouri, No. 2002016645

POSITIONS

1994 – 2000	Construction Inspector Missouri Department of Transportation – Kansas City, MO.
2000 – 2005	Resident Engineer, Missouri Department of Transportation.
2005 – present	RAD Construction & Engineering, Owner.
2009 – present	Ariadair Economics Group, Engineer.

EXPERIENCE

Summary Responsible for cost analysis and safety issues for utility asset relocation. Design/Build construction projects including utility assets/safety considerations. Extensive experience in the adherence of contracted work to the Missouri Department of Transportation: Plans, specifications, special provisions and contracts. Construction and supervision of contractors to the State of Missouri for roads, bridges and other transportation areas. Wrote and approved change orders for contract changes. Responsible for over \$25M in contracts per year. Operates the only design/build company in Missouri.

Wendy K. Miller

wmiller@ariadaireconomics.com

- Database administration, Billing and Revenue Management; Oracle Financials.
- Accounting and Financial Analysis.
- Automation – Billing, Financial Systems and Reporting.
- ITIL Certified - ITIL® is the most widely accepted approach to IT service management in the world. ITIL provides a cohesive set of best practice, drawn from the public and private sectors internationally.



Product Experience:

Database Administration

Oracle 7, 8i, 9i, 10g, 11g	20 Years
ORACLE 10g, 11g RAC	5 Years
ORACLE 10g, 11g ASM	5 Years
SQL Server 2005, 2008	6 Years
SQL Server 2008 Cluster	2 Years
MYSQL 4.5, 5.5	4 Years

LHS/Ericsson BSCS Telecommunications Billing 10 Years

Oracle Billing and Revenue Management
(formerly Portal Infranet) 3 Years

Oracle Financials 7 Years

Programming Languages

C	25 Years
SAS	25 Years
PL/SQL	20 Years
PRO-C	20 Years
T-SQL	6 Years
PHP	6 Years
HTML	14 Years
Visual Basic	6 Years

Operating Systems

UNIX	25 Years
Solaris	15 Years
Redhat LINUX	5 Years
AIX	2 Years

Education

City University of New York – B.A. Chemistry

Graduate level MBA classes Finance, Statistics, Operations Research, and Accounting at the University of Texas and Western International University. Certificate in Accounting, Western International University.

Stephen O. King, CPA

sking@ariadaireconomics.com

EDUCATION

May, 1971	MBA, Central Missouri State University
May, 1969	Bachelor of Science, Central Missouri State University.
August, 1985	CPA, certificate in Missouri

EMPLOYMENT

04/84 - Present	Ariadair Economics Group
07/89 - 08/07	Bartlett Grain Co., Kansas City, MO
06/87-07/89	Deutz Corporation, Independence, MO
07/81 - 04/87	CIT Financial Corporation, Kansas City, MO

ACCOUNTING/FINANCE/REGULATORY EXPERIENCE

- Conducted studies for working capital requirements.
- Review and analyze annualization techniques.
- Audit and verify separations/settlements process.
- Developed cost accounting systems for cost of service determination.
- Conducted studies to determine cost allocation factors for cost studies.
- Supervised systems for creating depreciation and amortization schedules.
- Developed procedures for upgrading and replacing EDP system components.
- Analyzed procedures for accounting for CWIP and associated depreciation/property tax expense and acquisition goodwill quantification and amortization.

Created systems for accounting and allocating employee related expenses.

- Developed procedures for allocating recognized costs to services. These included both direct costs and joint costs.
- Reconciled deferred income tax and tax for accounting purposes.
- Developed procedures for collecting and accounting for bad debts.
- Created procedures for hedging (and limiting risk exposure) of commodities futures positions.
- Identified financial safeguards for inclusion in merger/acquisition agreements.
- Conducted studies to evaluate alternative allocation factors and procedures for cost studies.

MANAGEMENT EXPERIENCE

- Held responsibility for the maintenance and administration of EDP material expense accounting system.
- Division Controller of a \$100million in sales. Responsibility for division accounting, cost accounting, general ledger, review and coordinated all financial areas related to division. The division included multiple corporations and multiple locations.

Michael J. Wulser, Esq.

mwulser@ariadaireconomics.com

EDUCATION

09/83 - 05/85, &
09/95 - 05/96 Medicine/Pharmacology, U. of Kansas Medical Center
5/90 Juris Doctorate, University of Missouri-Kansas City
5/82 BA - Chemistry, Rockhurst University -Kansas City

EMPLOYMENT

1988 - Present Ariadair Economics Group
5/89 - 2004 Private law practice
6/92 - Present. Kansas Appellate/Legal Research
1990 - Present Independent Contract Research

ADMINISTRATIVE AND JUDICIAL LITIGATION EXPERIENCE

(These engagements were through AEG and with Dr. Fish)

ADA Racing v. Sikk Industries. In this Arizona intellectual property case a competitor had improperly taken the trademark and trade dress of ADA Racing and had behaved in

an anti competitive and predatory manner.

American Numismatic Exchange. This Georgia antitrust case involved the creation of an electronic exchange for rare coins. A consultant had been hired to program the exchange and had taken it when the Numismatic Association failed to pay.

Big D v British Petroleum. In this Arkansas Case, a truck stop, Big D, had been harmed when BP changed the terms of provision of fuel.

Bodie Rickett v. Marrs. This Tennessee antitrust case involved a distributor of M&M Mars confectionery and M&M Mars Company.

EcoGlobal Ambiental v. CETCO Oilfield Services. EcoGlobal Ambiental, a Brazilian offshore oilfield services company had entered into agreement with Petrobras to provide offshore oil platform services and had entered into contract with CETCO for provision of certain technical services. CETCO bypassed EcoGlobal and entered into its own agreement with Pretrobras, thereby harming Petrobras.

Holslog Ready Mix. This Iowa antitrust case involved identifying the non-competitive and predatory behavior of a competitor.

Holsum Distributors v. Holsum Bakery. In this Arizona antitrust case Holsum Distributors claimed that a proposed change in their distribution contract with Holsum Bakery was anti competitive.

Pennsylvania PUC Dockets P-00991648, P-00991649. In a series of proceedings before the Pennsylvania PUC the issues of competitive structure, collocation, cost of service, rate spread, and other competitive/regulatory issues were investigated.

Precision Industries v. Curtis Chandler. In this Iowa antitrust case a company, Curtis Chandler, had behaved in a predatory and non-competitive manner which caused damage to Precision.

Rochester Telephone v. White Publishing. In this New York/Washington D.C. antitrust case the issue of the source of white and yellow page information was addressed. This case arose from the regulatory/deregulatory process involved in the AT&T divestiture process.

U.S. West v. Citizens Utilities. In this Arizona antitrust case the issues of the currency and cost of white and yellow page information was addressed. This case arose from the regulatory/deregulatory process involved in the AT&T divestiture process.

Union Electric v. Midwest Explosives. In this Missouri Antitrust case Union Electric had hired Midwest Explosives to deslag certain electric generating plant boilers (as opposed to high pressure water, sledge hammers, etc.). When Union put the work out for competitive bid Midwest Explosives claimed that it had a monopoly on this service.

PUBLICATIONS

Kimler, B.F, Cox, G.C., Wulser, M.J. et.al., "Ovulatory Delay Alters Postnatal Growth, Behavior, and Brain Structure in Rats," Developmental Brain Research , 107, 49-55, 1998

Levine, S.M., Wulser, M.J., Lynch, S.G. "Iron Quantification in Cerebralspinal Fluid," Analytical Biochemistry, 265, 74-78, 1998.

Levine, S.M., Lynch, S.G., Wulser, M.J., et.al. "Ferritin, Transferrin and Iron Concentrations in the Cerebraspinal Fluid of Multiple Sclerosis Patients" Brain Research 821, 511-515, 1999.

Wulser, M.J. "Should Jurors be Allowed to Ask Questions in Criminal Trials" UMKkC Law Review 58(3) 1990.

COURSES TAUGHT

General Physics
Electromagnetism
Organic Chemistry
Bio Chemistry
General Chemistry
Micro Biology
Human Anatomy
General Biology
Complex Multivariate Analysis

INDEPENDENT CONTRACTOR RESEARCH

Multivariate Modeling in Combinatronics
Computer Chip Application and Logic Development
Multiphasic Energy Recovery Systems
Partical Collision Detection Systems
Electromagnetic Containment Fields

William C. Stewart

cstewart@ariadaireconomics.com

EDUCATION

Park University, BA in Business Administration, 2001

EMPLOYMENT

2002 - 2004	Cashier Supervisor, Harrah's North KC Casino
2004 - 2007	Senior Supervisor, Harrah's North KC Casino
2008 - Present	Ariadair Economics Group. Develop exhibits/schedules for rate base/revenue requirements, expenses, revenues, cost of service, revenue spread, rate design, affiliate trans.

ACCOUNTING/FINANCE/REGULATORY EXPERIENCE

- Analysis of inter-company transactions and allocation factors.
- Conducted studies for working capital requirements.
- Review and analyze annualization techniques.
- Audit and verify jurisdictional allocations.
- Developed cost accounting systems for cost of service determination.
- Conducted studies to determine cost allocation factors for cost studies.
- Supervised systems for creating depreciation and amortization schedules.

MANAGEMENT EXPERIENCE

- Senior Supervisor in Fortune 500 Company.
- Created and delivered performance evaluations to front line employees.
- Directly monitor, coach and counsel employees as necessary.

Michael J. Leatherman

mleatherman@ariadaireconomics.com

EDUCATION

1996-1997 Park University, 25 Credit Hours

EMPLOYMENT

06/96 – 01/98	National Starch, Lab Technician
01/98 – 02/02	Primerica. Financial product analyst
02/02 – 08/08	Sole proprietor/independent contractor
08/08 – Present	Ariadair Economics Group. Develop exhibits/schedules for rate base/revenue requirements, expenses, revenues, cost of service, revenue spread, rate design, affiliate trans.

ACCOUNTING/FINANCE/REGULATORY EXPERIENCE

- Conducted studies for working capital requirements.
- Reviewed and analyzed annualization techniques.
- Audited and verified jurisdictional allocations.
- Developed pro forma income, expense and rate base adjustments.

Bid Response by
Ariadair Economics Group to
La PSC RFP 14-01

- Conducted studies to review and evaluate cost allocation factors for cost studies.
- Conducted working capital, ADIT, and depreciation/amortization studies.

APPENDIX B - CLIENTS

ARIADAIR Economics Group has provided expert witness and consulting services to many judicial, administrative, and business clients including:

- ADA Racing
- Alston Bird
- American Numismatic Exchange
- Armstrong Teasdale
- Arrow Truck Sales
- Bay Area Teleport
- Bivona & Cohen
- Blackwell Sanders
- Blue Cross Blue Shield
- Bodie Rickett and Associates
- Brotherhood Bank and Trust
- Brown & Bain
- Carlile Patchen Murphy
- Citizens Utilities
- Climaco Climaco Seminatore
- Crouch & Spangler
- Elia & Fallis
- Farmers Insurance
- General Telephone
- Holsum Bakeries
- Hoskins King McGannon
- Kansas City School District
- Law Office of David Browning
- Law Offices of David Melnick
- Law Office of Nick Selby
- Law Offices of Tom Cox
- Maebius & Duncan
- Maine Consumer Advocate
- Marion Merrell Dow, Inc.
- Medallion Insurance
- Nebraska PUC
- Nevada Consumer Advocate
- Ohio Consumer Counsel
- Oklahoma Corporation Commission
- Pennsylvania Consumer Counsel
- Pennsylvania PUC
- Polote Construction Co.
- Popham Conway Sweeney
- Precision Industries
- Rio Airlines
- Rochester Telephone
- Rushfeldt Shelly & Duncan
- Sloan Listrom
- Smith Currie & Hancock
- South Dakota PUC
- Southwestern Bell
- Spencer Fane Britt & Brown
- Stoup & Associates
- Maebius & Duncan
- Sullivan Cromwell
- Taylor Halliburton Ledbetter
- Telecommunications, Inc.
- Tennessee PSC
- Union Electric
- United Missouri Bank
- Vaught Roofing
- Wruck|Paupore
- Wirkin & King
- Zurich American Insurance

